ANNUAL PROGRESS REPORT ON IMPLEMENTATION OF PUBLIC LAW 106-107

I.   PURPOSE

This is the fourth annual progress report, based on the initial plan submitted to the Congress and the Office of Management and Budget (OMB) in May 2001, describing the collaborative efforts of 26 federal agencies to streamline and simplify the award and administration of federal grants.[1] This report covers interagency activities between May 2004 and May 2005. The submission of this annual progress report to the Congress and OMB is required by Section 5 of the Federal Financial Assistance Management Improvement Act of 1999 (Public Law [P.L.] 106-107, "the Act").

II.   THE YEAR IN REVIEW

This year we made significant progress in our efforts to streamline and simplify the grants process. Participation by federal awarding offices and non-federal organizations and individuals in the Grants.gov initiatives increased. We continued working, and developed alliances, with groups with objectives related to those of P.L. 106-107, including the Research Business Models (RBM) Subcommittee of the National Science and Technology Council's Committee on Science; the Federal Demonstration Partnership (FDP); and the newly formed National Grants Partnership (NGP). The first two groups address federally sponsored research, primarily at universities and non-profit research organizations. The NGP addresses areas of interest and concern to States, local governments, Tribal governments, non-profit entities, and community- and faith-based organizations. We will continue our increased outreach efforts to all non-federal constituencies in order to solicit feedback to improve our products and refine our agenda for the coming years.

OMB and the federal agencies have taken steps to strengthen their coordination of E-Gov solutions for grant processes with P.L. 106-107 activities. OMB recently established a Grants Policy Committee under the Chief Financial Officers (CFO) Council that is responsible for coordinating proposals resulting from grants streamlining initiatives and to serve as the decision-making body for grant policies. In addition, the membership and role of the Grants Executive Board has been expanded to include representatives from the 26 grant-making agencies and works with OMB on the Grants.gov and Grants Management Line of Business (GMLoB) E-Gov initiatives. The Grants Policy Committee and Grants Executive Board work closely with each other by means of a liaison position on each group.

We also formed a new P.L. 106-107 work group—the Training and Certification Work Group—to address issues concerning the federal workforce responsible for implementing the changes resulting from P.L. 106-107 and the Grants.gov and GMLoB initiatives.

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[1] The term "grant" as used in this report includes cooperative agreements.

We are pleased with the progress we made this year. We continue our commitment to grants streamlining and simplification through our government-wide and agency-specific efforts. Section III of this report outlines our government-wide accomplishments and plans for the future in the following areas:

♦ III.A. -- Enhancing infrastructure initiatives.

♦ III.B. -- Improving the government-wide policy framework by creating and beginning to populate a new title in the Code of Federal Regulations (CFR) to make OMB guidance and agency implementing regulations easier to find and use.

♦ III.C. -- Streamlining pre-award actions, especially by increasing participation in Grants.gov APPLY, establishing goals and metrics, and enhancing Grants.gov functionality.

♦ III.D. -- Developing a unified and simplified approach to awards by developing a uniform format and standard terms and conditions for grant awards.

♦ III.E. – Improving the quality of information while reducing non-uniformity and duplication in the reporting and audit areas, including development of standard reporting formats and consistent time frames for the different types of reporting under grants.

We expect that many of our longer-term efforts, including developing clear, streamlined award conditions and standard reporting formats, will reach the stage of public comment or full implementation during the next year.

III.   PROGRESS REPORTS BY AREA

A. Enhancing the Infrastructure

1. Grants Management Line of Business

In March 2004, the OMB launched three Lines of Business (LoB) Task Forces: Human Resources, Financial Management, and Grants Management. These task forces supplemented two existing task forces focused on Federal Health Architecture and Case Management. OMB's overriding goals were to enhance citizen-to-government interaction; create consistency and eliminate unnecessary redundancy across agencies engaged in common lines of business; and save taxpayers' money by reducing government investment in redundant solutions. A "line of business" is defined as a function comprised of core business requirements and business processes. A "common solution" is a business process and/or technology-based shared service made available to government agencies. The LoB effort is unique in that each common solution is expected to be adopted as a government-wide solution that all agencies that do business in the particular LoB would ultimately use in a shared service environment.

With executive sponsorship from OMB and led by OMB-designated agencies (managing partners), the task forces, comprised of business process leaders representing their respective Executive Branch agencies and focus areas, began the development of business-driven, common solutions to improve customer access to federal information and support. The resulting solutions were developed through a set of common repeatable processes and tools and are technology-enabled. These solutions address distinct business improvements that directly impact LoB performance goals. Each LoB task force was charged with developing its target architecture and common solution. Each common solution was addressed in a government-wide business case, or investment plan, that included a cost-benefit analysis for agencies maintaining separate agency-specific solutions (status quo) versus migration to a common solution, time line, and a task plan for the migration.

OMB asked the National Science Foundation (NSF) and the Department of Education to co-manage the GMLoB in its initial phase. Under NSF and Department of Education leadership, the GMLoB task force, comprised of representatives of all of the federal grant-making agencies, developed a business case with the intention of creating "a government-wide solution to support end-to-end grants management activities that promote citizen access, customer service, and agency financial and technical stewardship." The scope of the LoB is ambitious, with integration points across the continuum of grants management business processes from application intake through award closeout and financial reconciliation. This solution addresses all manner of assistance funding for both competitive and non-competitive awards and all types of recipients of that assistance, whether organizations or individuals.

The resulting business process-driven solution envisions agencies with similar business practices working in consortia to develop and use a shared services model. This approach would most effectively leverage the differences in information technology-enabled business processes among agencies, allowing those who are more advanced to offer services to consortia members and serve as centers of excellence. Funding for the shared service solution would come from the re-deployment of individual agencies' information technology investments in order to develop, implement, maintain, and upgrade each common solution.

Because of the complexity of the federal grants enterprise, the varying levels of sophistication of each agency's information technology systems, and the challenge of consolidating and streamlining while maintaining customer service, the business case designated Fiscal Year (FY) 2005 as a planning year for OMB and the federal agencies.

Summary of This Year's Progress

♦ The GMLoB Task Force issued a Request for Information (RFI) and administered a survey for the federal agencies. The results were incorporated in a draft GMLoB Common Solution White Paper proposing a common business model for federal grants management. The White Paper was submitted to OMB in June 2004.

- The GMLoB delivered its business case to OMB for review in September 2004 and OMB approved it in October 2004. The business case included recommendations for the overall governance and consolidation of other ongoing government-wide grants streamlining and consolidation efforts, specifically P.L. 106-107 and Grants.gov.

- In June 2005, OMB asked the Department of Health and Human Services (HHS) and NSF to serve as co-managing partners for the implementation phase of the GMLoB. In this capacity, HHS and NSF will provide executive leadership to participating agencies, provide recommendations to OMB, and coordinate the GMLoB efforts with the other ongoing government-wide grants initiatives.

Future Plans

- Implementation of the GMLoB, including forming the consortia, is expected to begin in FY 2006.

2. Ensuring a Quality Grants Management Workforce

As a result of P.L. 106-107 and related initiatives, we are seeing major changes in grants policy and process. The federal grants management workforce is highly decentralized and the individuals comprising that workforce perform their duties under a number of different job classifications. Due to the absence of government-wide standards, individual agencies vary in how they ensure the quality of that workforce. While this has historically been a concern, this variation has become a greater issue as we try to implement changes designed to achieve greater commonality in policy and process. To facilitate evenness in implementation and to ensure a highly competent group of federal grants managers, we formed a new work group under the P.L. 106-107 umbrella to address training and career development needs for grants managers from a government-wide perspective. Most of the 26 federal grant-making agencies are represented on the group, indicating a high degree of interest in this area.

Summary of This Year's Progress

- The Training and Certification Work Group began benchmarking grants management training courses and certification programs to determine the current baseline and identify best practices.

B. Improving the Government-wide Policy Framework

OMB this year continued to make progress on its major initiative to simplify the policy framework for grants and agreements. OMB launched the initiative last year by establishing a new Title 2 in the CFR as the central location for both OMB guidance to federal agencies on grants and agreements and federal agency regulations implementing that guidance. At that time, OMB also relocated in Title 2, as part 215, the first of its guidance documents: Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations."

As described in last year's P.L. 106-107 status report, the simplification initiative has three objectives, which are to make

♦ OMB guidance for grants and agreements easier to find by locating it in Subtitle A of the new Title 2. Although located in the CFR, it still will be OMB guidance to federal agencies, rather than regulations.

♦ Agency regulations that implement the OMB guidance easier to find by co-locating them in the same CFR title as the OMB guidance. The regulations will appear in Subtitle B of Title 2, following OMB's guidance in Subtitle A. For recipients of awards from more than one federal agency, the co-location will provide a single CFR title where they can find the agencies' regulations (currently, the regulations are dispersed in about two dozen CFR titles of the individual agencies).

♦ Those agency regulations easier to use—and to reduce the volume of each paper copy of the CFR by about 1,800 pages—by issuing some of the guidance in a form suitable for agency adoption. The intent is to replace common rules that each agency publishes separately in full text with much shorter regulations adopting the government-wide guidance and identifying any agency-specific clarifications, additions, or exceptions to it.

When the simplification is complete, having OMB guidance and agency regulations that are easier to find and use will be a benefit not only to applicants and recipients, but also to federal officials who make and administer assistance awards.

Summary of This Year's Progress

♦ A team comprised of representatives from the Pre-Award and Post-Award Work Groups prepared in CFR format the cost principles for institutions of higher education, other nonprofit organizations, and States, local governments, and Tribal governments that are in OMB Circulars A-21, A-87, and A-122. The team also prepared draft *Federal Register* notices to relocate the three circulars in Subtitle A of 2 CFR.

♦ The Interagency Suspension and Debarment Committee (ISDC), which is affiliated with the Pre-Award Work Group, revised OMB's guidance on debarment and suspension[2] to put it in a form suitable for agency adoption and incorporate the substance of the updated common rule that federal agencies adopted on November 26, 2003 [68 FR 66534]. The ISDC also prepared a draft *Federal Register* notice to locate the guidance in Subtitle A of 2 CFR.

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[2] The OMB guidance on nonprocurement debarment and suspension is issued under Section 6 of Executive Order 12549 and, prior to adoption of the revised version in 2 CFR, was last amended on June 26, 1995 [60 FR 33036].

<u>Future Plans</u>

♦ OMB will publish in the *Federal Register* the OMB guidelines on debarment and suspension as 2 CFR part 185 and OMB Circulars A-21, A-87, and A-122 as 2 CFR parts 220, 225, and 230, respectively.

♦ OMB will relocate its other circulars[3] in the new Title 2 of the CFR. The circulars initially will be relocated in Title 2 in their current form, pending recommendations from the P.L. 106-107 work groups that may streamline and simplify the guidance.

♦ OMB will work with appropriate interagency committees to issue in Title 2 its other guidance documents—on drug-free workplace and lobbying requirements—in a form that is suitable for agency adoption.

♦ The ISDC will coordinate agencies' adoption of the new OMB guidance on nonprocurement debarment and suspension. It will prepare a joint *Federal Register* notice for each agency to establish its chapter in Subtitle B of 2 CFR, add a part in its chapter to adopt the OMB guidance, and remove from its own CFR title the full text of the common rule that agencies adopted in November 2003.

♦ Each federal agency with regulations implementing the other OMB circulars and policy documents will re-issue those regulations in its chapter of 2 CFR, Subtitle B. Each agency may do so as soon as its chapter is established and will be required to do so when OMB issues final changes to its guidance resulting from P.L. 106-107 initiatives.

C. Streamlining Pre-Award Actions

We continue to streamline pre-award activities through Grants.gov. As one of the 24 E-Gov initiatives identified in the President's Management Agenda, Grants.gov allows applicants for federal grants to search and apply for grant funds online through a common website, simplifying and automating public-facing pre-award processes. Grants.gov has enabled the federal government's migration from complex, paper-based grants pre-award processes to the electronic exchange of information using government-wide data standards and XML-based printable forms.

Grants.gov has been an integral part of announcing and locating grant opportunities and applying for grants. All 26 grant-making agencies have been posting synopses of their funding opportunities on Grants.gov FIND since 2003 and 21 agencies have published grant application packages through Grants.gov APPLY (as of June 10, 2005). More than 10,000 non-federal organizations are now registered with Grants.gov. Grants.gov adoption and utilization statistics can be viewed at

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[3] In addition to OMB Circulars A-21, A-87, A-110, and A-122, which now are located in 2 CFR, the circulars related to grants and agreements that will be relocated in the future include the administrative requirements in the common rule implementing OMB Circular A-102; the audit requirements in OMB Circular A-133; and the implementation of the Federal Program Information Act, in OMB Circular A-89.

http://www.grants.gov/assets/FindPostings.pdf. To increase adoption of Grants.gov, we have continued to enhance Grants.gov FIND and APPLY, including providing for system-to-system integration capabilities.

This broad adoption and rapid increase in use of Grants.gov is the result of unprecedented collaborative efforts by the grant-making agencies; OMB; the Grants Executive Board; the Department of Health and Human Services (the managing partner for the Grants.gov initiative); and the Grants.gov Program Management Office (PMO), which is responsible for deployment and operation of Grants.gov. In addition to this collaboration at the federal management level, we also sought to involve the federal and non-federal operational grants communities through outreach and marketing efforts, such as monthly stakeholder meetings, participation in conferences and industry meetings, customer satisfaction surveys, training sessions and workshops, newsletters, and participation in testing activities.

GAO noted in its report (GAO-05-335) that Grants.gov has become the common face to grantees, enabling them to identify relevant grant opportunities and apply electronically for grants. GAO also recognized Grants.gov for building coordination with users into the process of designing and deploying the FIND and APPLY functionality. Over the last year, Grants.gov received numerous awards and recognition from industry groups, including the National Grants Management Association, the American Productivity Quality Center, Innovations in American Government/Ash Institute of Harvard University, and the FOSE Showcase of Excellence (in 2004 and 2005).

Further, several State and local governments and non-profit organizations decided to post their grant opportunities on Grants.gov FIND in order to reach the large, diverse grant community that includes over 1 million organizations. Several State governments also are using Grants.gov APPLY as a model for developing their own electronic application processes.

1. Enhancing Information about Funding Opportunities through Grants.gov FIND

We continue to work to make it easier for the public to learn about federal funding opportunities. Grants.gov FIND (http://www.grants.gov/Find) allows potential applicants to conduct a search of federal discretionary grant opportunities through full-text searches or through searches by funding opportunity, agency, funding instrument, funding activity category, or *Catalog of Federal Domestic Assistance* number. Interested individuals or entities also can register to receive notices of funding opportunities via e-mail. Under this arrangement, they can request notification based on specified parameters, e.g., interest and eligibility groups, or can request all funding opportunities. Grants.gov FIND includes a synopsis of the funding opportunity and allows those who are interested to download the complete funding opportunity announcement. Interested organizations can also download the Grants.gov FIND XML files into their systems and independently search for federal grant opportunities. An eligible organization or individual that wants to submit an application also may do so through the website (see section III.C.2 of this report).

As of June 10, 2005, approximately 6,500 discretionary grant opportunities have been posted. Grants.gov FIND receives approximately 1.5 million "hits" and sends over 910,000 e-mail notifications per week. Over 1,180 interested organizations also download Grants.gov FIND XML files each week.

Summary of This Year's Progress

♦ The Grants.gov PMO conducted outreach and marketing activities to increase awareness of the Grants.gov initiative and train federal agency staff and non-federal constituencies on how to use Grants.gov FIND. The Grants.gov Contact Center addressed questions and provided assistance in using Grants.gov FIND and APPLY.

♦ The Grants.gov PMO enhanced and integrated Grants.gov FIND with Grants.gov APPLY, providing the grant community with a single site (integrated view) for accessing federal grants information.

♦ The Grants.gov PMO deployed functionality that allows interested organizations to download Grants.gov FIND XML files into their systems and independently search for federal grant opportunities.

♦ Through customer satisfaction surveys, the Grants.gov PMO continued to solicit input on the design of Grant.gov FIND to ensure that users' needs are met.

Future Plans

♦ The Grants.gov PMO will continue its outreach efforts to increase awareness of Grants.gov FIND and APPLY as well as operate the Contact Center to address federal staff and grant community questions.

♦ The Grants.gov PMO will continue to enhance grantor capabilities, including integration of Grants.gov's FIND and APPLY databases and improvement of the opportunity posting functionality.

♦ The Grants.gov PMO will continue to solicit input from the federal agencies and the grantee community to further improve the design of Grants.gov FIND.

2. Applications—Making the Process Easier

We continue our efforts to streamline and simplify federal grant application processes by allowing organizations to apply for grants electronically through a single government-wide portal, eliminating separate grant application processes and systems. Grants.gov APPLY (http://www.grants.gov/Apply) allows applicants to download an application package from Grants.gov and complete it offline based on agency instructions. After completing all required forms, an applicant can electronically submit the package to Grants.gov. Upon receipt of the application, Grants.gov sends an electronic acknowledgement to the applicant and delivers the application to the awarding agency.

Cross-agency collaboration on the establishment of government-wide application data standards continued this year. Recognizing the different types of programs and their different information needs, this year we developed government-wide standard data sets and forms for research and research-related grant applications, mandatory grant applications/plans, grant programs with applicants that are individuals, and grant programs requiring less organizational information than is required by the other SF-424 forms. We also established a new clearance process and Paperwork Reduction Act (PRA) control number for government-wide grant application forms enabling the transition from agency-specific to government-wide grant application data sets and forms.

The SF-424(R&R) established the core data elements for research and related grant applications. The SF-424(M) is the government-wide data set for the cover sheet for applications, plans, and related submissions under mandatory grant programs. The SF 424(I) is the cross-agency grant application data set for grant programs where the applicant is an individual rather than an organization. The SF-424(S) (the short organizational version) is for applications requiring less organizational information than is required by the other SF-424 forms. A revision to the core data set (SF-424) to address public comments is underway and will result in a Version 2 SF-424, adding three new data elements that the public requested.

Federal agencies and applicants/recipients will use these standard data sets and definitions for paper and electronic applications/plans/related submissions. These data sets and forms will significantly reduce the number of different forms and formats in use and will allow applicants to re-use application material for similar opportunities. Approximately 86 percent of application packages posted on Grants.gov thus far used only government-wide forms (rather than a combination of government-wide and agency-specific forms). The OMB website contains an inventory of government-wide grant forms (http://www.whitehouse.gov/omb/library/OMBINV.EXECUTIVE.html#EGOV).

Numerous enhancements to Grants.gov APPLY were deployed this year. Granting agencies and the grants community identified many of these enhancements through ongoing user feedback mechanisms, such as customer satisfaction surveys and Grants.gov Contact Center calls. Two notable Grants.gov APPLY enhancements are the establishment of agency and applicant system-to-system capabilities. These new capabilities allow granting agencies and applicants to more easily exchange information with Grants.gov through automated processes.

Summary of This Year's Progress

♦ Federal grant-making agencies prepared "ramp up" schedules for programs planning to use Grants.gov APPLY in FYs 2004 and 2005. Agencies provided this schedule to the Grants.gov PMO in compliance with OMB's direction in its FY 2005 Budget Guidance (http://www.whitehouse.gov/omb/memoranda/fy04/m04-05.html).

- To increase agency participation in FY 2005, OMB through FY 2006 Budget Guidance directed federal agencies to post 100 percent of its grant opportunities on Grants.gov [FIND] and make a minimum of 25 percent of its grants available for on-line application, including all grant programs using only the SF-424 family of forms.

- As of June 10, 2005, 21 of the 26 federal grant-making agencies have posted application packages, representing 1,025 grant programs, on Grants.gov. The agencies received a total of 8,573 applications electronically.

- Federal agencies are now using the government-wide research and related application data set. On November 12, 2004, the SF-424(R&R) was published in the *Federal Register* for emergency clearance under the PRA [69 FR 65434]. On February 2, 2005, the SF-424(R&R) was published for public comment in the *Federal Register* under regular PRA clearance requirements [70 FR 5449].

- The SF-424(M), the mandatory grant application/plan cover page, was deployed for government-wide use. On January 3, 2005, the SF-424(M) was published in the *Federal Register* for emergency clearance under the PRA [70 FR 89]. On February 28, 2005, the SF-424(M) cover page was published for public comment in the *Federal Register* under regular PRA clearance requirements [70 FR 9656].

- The SF-424(S) and the SF-424(I) grant application cover pages were deployed on June 3, 2005. On March 24, 2005, the SF-424(S) and SF-424 (I) were published in the *Federal Register* for emergency clearance under the PRA [70 FR 56].

- The Grants.gov PMO conducted outreach efforts to federal agencies to assist them in posting application packages on Grants.gov APPLY and to applicant communities to increase awareness of Grants.gov APPLY.

- The Grants.gov PMO worked with the federal grant-making agencies in their agency system-to-system integration efforts, and with non-federal organizations to develop applicant system-to-system functionality. Sixteen agencies have scheduled, or completed, their system-to-system integration tests with Grants.gov.

- The Grants.gov PMO deployed applicant system-to-system functionality that allows applicant organizations to transmit application data directly to Grants.gov through system-to-system interfaces with their internal grant systems. Grants.gov collaborated with several leading educational and research institutions, including the Massachusetts Institute of Technology and Pennsylvania State University, to design and deploy this functionality.

- The Grants.gov PMO supported the E-Authentication E-Gov initiative to conduct a proof of concept test involving users for authentication services employing web-based technology.

- Working with Central Contractor Registration, the Grants.gov PMO deployed functionality supporting the submission of applications from foreign applicants.

<u>Future Plans</u>

♦ The Grants.gov PMO will work with the federal agencies to implement the new government-wide research, mandatory, individual, and short organizational grant application data sets and forms. This effort is part of a movement to promote agency forms to government-wide status when they meet multiple agencies' information collection needs.

♦ The Mandatory Grants Work Group will review comments on the February 28, 2005 *Federal Register* notice and recommend changes, as needed, to the SF-424(M).

♦ The Grants.gov PMO will work with the federal agencies and OMB to identify and deploy other government-wide, segment-specific grant application data sets and forms, as well as revise the core data set (SF-424).

♦ The Grants.gov PMO will continue to work with OMB to implement the new government-wide grant forms clearance process and work with the Office of the Federal Register staff to establish a Grants.gov section in the *Federal Register*.

♦ The Grants.gov PMO will continue its outreach efforts to agencies to assist them in posting application packages on Grants.gov APPLY and meet their posting goals.

♦ The Grants.gov PMO will continue its work with agencies and applicants to implement system-to-system interfaces of their "back-end" systems with Grants.gov, further enabling their migration from paper-based processes.

♦ The Grants.gov PMO will continue to enhance Grants.gov APPLY to meet user needs.

♦ The Grants.gov PMO will research additional areas of customer-facing functionality that might be provided by leveraging the Grants.gov architecture, business processes, and investment.

D. Awards—Developing a Unified and Simplified Approach

The Pre-Award Work Group made substantial progress this year toward proposed OMB guidance on agencies' grant and cooperative agreement awards. The guidance would establish a standard award format and, to the extent practicable, standard language for award content. The elements of the award that the group is developing are the following:

♦ Award notice that an agency uses to transmit information specific to an individual grant. It would include a cover sheet with objective information, such as the recipient organization and award amount, as well as any award-specific terms and conditions.

♦ General terms and conditions specifying the recipient's and federal government's rights and responsibilities with respect to requirements that apply generally to an organization's awards. Those requirements include both

> national policy requirements that originate in federal statutes, Executive orders, or regulations that broadly apply to multiple agencies' awards, and

> administrative requirements, largely derived from OMB Circulars A-102 and A-110, which specify standards for recipients' post-award administration of grants, including financial management, property management, procurement, reporting, and recordkeeping.

The OMB guidance would be located in the new Title 2 of the CFR, described earlier in this report. The intended benefits for recipients include:

♦ Making it easier, through the standard format, for a recipient that does business with multiple federal agencies to find award language on a specific subject.

♦ Stating requirements in plain language and in a way that speaks directly to the recipient.

♦ Eliminating unintended differences between OMB's government-wide guidance and award terms and conditions, which should lead to more uniform interpretation of requirements across federal agencies and programs.

♦ Making it easier for a recipient to discern any agency-specific variations from government-wide requirements.

Recognizing that this is a long-term effort, OMB and the White House Office of Science and Technology Policy (OSTP) proposed that agencies use the terms and conditions already developed for use by FDP participants as the interim government-wide standard for research and research-related grants. Expanded use of the FDP terms and conditions will yield more uniform implementation of the current OMB Circular A-110 (2 CFR part 215) across research grants in the near term, while work continues on streamlining the current circulars and their implementation for federal awards more generally.

Summary of This Year's Progress

♦ The Pre-Award Work Group vetted with OMB and recipient organizations a prototype set of award terms and conditions for some administrative requirements and the associated OMB guidance to agencies. The feedback was favorable and the Work Group is completing the administrative terms and conditions.

♦ The Pre-Award Work Group began developing a standard award cover sheet. The Work Group is conforming information that is used in both awards and applications with data elements already established for Grants.gov APPLY.

♦ Acting on a recommendation from its Research Business Models (RBM) Subcommittee, the National Science and Technology Council's Committee on Science approved a proposal to establish the FDP terms and conditions as the interim core set for research and research-related grants to entities covered by OMB Circular A-110 (2 CFR part 215). OMB and OSTP issued a *Federal Register* notice [70 FR

4159, January 28, 2005] to solicit public comment on the proposal.

♦ The RBM Subcommittee is refining the proposal in response to the comments received on the January 28, 2005 *Federal Register* notice.

<u>Future Plans</u>

♦ The Mandatory Grants Work Group will recommend any supplements to, or modifications of, the Pre-Award Work Group's proposed standard format and content for discretionary awards that are needed to make the proposal suitable for awards under mandatory grant programs.

♦ OMB will publish for public comment in the *Federal Register* the proposed 2 CFR guidance on standard award format and content.

♦ OMB and OSTP will issue one or more *Federal Register* notices as the next step toward establishing the FDP terms and conditions as the interim core set for research and research-related grants.

♦ In conjunction with its recommendations on terms and conditions for national policy requirements, the Pre-Award Work Group will recommend a policy on use of certifications and assurances throughout the pre-award phase of the award life cycle.

E. Improving the Quality of Information While Reducing Non-Uniformity and Duplication

1. Establishing the Framework for Post-Award Reporting

Post-award reports prepared by recipients are one of the primary tools used by federal agencies for monitoring recipient progress and activities under grants. As reported in previous years, our efforts have been devoted to developing standard formats and parameters for agency use in connection with the various types of reports. The reporting may be of a type required or permitted by government-wide policies or may be required to meet program-specific provisions. These standard formats are intended to replace a variety of forms and formats previously used for reporting, including financial reporting, progress reporting, and property reporting (real property and tangible personal property), and inventions.

Due to differences in the types of federally supported activities, performance reporting was not suited to the single-form approach taken for other types of reports. Therefore, we are pursuing two approaches to performance or progress reporting—one for research awards and one for all other types of grant awards. Given their role in facilitating cross-agency efforts to address issues critical to the support of research, the RBM Subcommittee has assumed responsibility for streamlining and standardizing progress reporting under federal research awards. The RBM Subcommittee is working closely with OMB and the relevant P.L. 106-107 work groups and subgroups in this effort. The

Post-Award Reporting Subgroup of the Post-Award Work Group is responsible for the efforts related to all of the other types of reporting.

For each type of reporting under its cognizance, the Post-Award Reporting Subgroup developed standards, including required and optional components, and, as appropriate, common data elements and business processes. This approach streamlines and standardizes the reporting process, while retaining flexibility for agencies to determine whether to impose a reporting requirement at all (if that is an option) or whether they need only a portion of the authorized information. Agencies also can specify the frequency of submission within the established parameters.

The financial reporting proposal is intended to consolidate the Financial Status Report (SF-269) and the Federal Cash Transactions Report (SF-272) in a single report, the Federal Financial Report (FFR). Most grant recipients currently are required to submit at least one of these reports under each award, with many recipients required to submit both. The FFR would accomplish the same purposes with a single form, allowing agencies to require all or only that portion of the information they need for their programs.

The proposed Performance Progress Report (PPR)—developed by the Post-Award Reporting Subgroup for use in non-research awards—would allow agencies to obtain the information they need for their non-research activities from a menu of standard choices. The PPR would allow agencies to:

♦ establish similar reporting requirements for similar types of activities,

♦ better fulfill their responsibilities under the Government Performance and Results Act, and

♦ use information from the PPR in completing the Performance Assessment Rating Tool required by OMB.

Summary of This Year's Progress

♦ The Post-Award Reporting Subgroup completed its effort on the FFR, including developing recommended language for revision of the OMB Circular A-102 and A-110 (2 CFR part 215) coverage of financial reporting. The Subgroup delivered its products to OMB for review and issuance of *Federal Register* notices to finalize the form and propose the policy changes for public comment. The Post-Award Reporting Subgroup and OMB initiated plans for a pilot test of the final FFR to be conducted through the HHS Payment Management System (PMS).

♦ The Post-Award Reporting Subgroup received formal comments from the federal agencies on the non-research PPR, reviewed them, resolved the agencies' concerns, and developed a final draft report and instructions and *Federal Register* notice. The Subgroup also solicited and received informal feedback from grantees on the draft.

♦ The RBM Subcommittee completed its work on a proposed standard format and

instructions for research progress reporting. The proposal is currently under review by the Committee on Science and the federal agencies.

♦ The Post-Award Reporting Subgroup developed draft government-wide real property and tangible personal property reports and instructions and business rules that were sent to the federal agencies for formal comment. The Subgroup is reviewing them to resolve the agencies' concerns, and is developing final draft reports and instructions and *Federal Register* notices.

Future Plans

As part of our future activities, we will be working with OMB to evaluate the recommendations relating to streamlined reporting made in the recent GAO report (GAO-05-335) and address them, as appropriate.

♦ OMB will propose for public comment in the *Federal Register* the proposed revisions to its financial reporting policies in OMB Circulars A-102 and A-110 (2 CFR part 215). The pilot test of the final FFR will proceed with volunteer grantees under the oversight of the CFO Council's Grants Policy Committee and HHS. OMB will issue the final FFR after conclusion and evaluation of the pilot test.

♦ The Post-Award Reporting Subgroup and RBM Subcommittee will address comments received on their respective performance reporting proposals through the public and agency vetting processes.

♦ OMB will publish for public comment in the *Federal Register* the Post-Award Reporting Subgroup's proposals for real property and tangible personal property reporting forms, as well as associated revisions to OMB Circulars A-102 and A-110 to provide policy guidance on the use of the forms.

♦ The Pre-Award Work Group will include the policies and procedures for performance, financial, real property, personal property, and invention reporting in the award terms and conditions and associated OMB guidance described in section III.D of this report.

♦ OMB will publish for public comment in the *Federal Register* a proposed directive and standard data set for a summary report of inventions.

2. Developing Uniform Guidance for Indirect Cost Proposal Preparation and Review

OMB issues cost principles that define allowable costs under federally supported programs and projects. The OMB cost principles are OMB Circular A-21, "Cost Principles for Educational Institutions;" A-87, "Cost Principles for State, Local, and Indian Tribal Governments;" and A-122, "Cost Principles for Non-Profit Organizations." As we previously reported, we have clarified the cost principles and, where appropriate, made them more consistent.

Federal agencies have implemented the OMB cost principles in a non-uniform manner in their agency guidance on the preparation and review of indirect cost proposals. The non-uniformity may be in the form of differing language, level of detail, and, in some cases, differences of interpretation. We have identified this as a further area for achieving greater uniformity that will benefit recipients of federal financial assistance.

Summary of This Year's Progress

♦ The Cost Principles Subgroup has identified and reviewed the guides on indirect cost proposal preparation and review issued by federal agencies in order to develop a framework for uniform guidance.

Future Plans

♦ The Cost Principles Subgroup will complete draft uniform guidance for indirect cost proposal preparation and review to replace agency guides. The uniform guidance will be presented to the CFO Council's Grants Policy Committee for formal agency vetting.

3. Audits—Increasing Accountability While Decreasing Burden

Audits are an important means of providing reasonable assurance that grant recipients are managing federal awards in compliance with applicable laws and regulations and the terms and conditions of the agreement. OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" establishes the policies for audit of governmental and non-profit entities, including institutions of higher education. The audit process involves both federal and non-federal constituencies. They include OMB, the Federal grant-awarding agencies, the Federal Audit Clearinghouse (FAC), non-federal auditors, and grant recipients.

Our efforts in the audit area, through the Audit Oversight Work Group and its Subgroups, OMB, the Inspector General offices (IGs) and the audit community, are focused on increasing awareness of audit requirements, communicating them in a manner that everyone involved can understand, and improving the quality of audits and audit services. We want to make audit results a more useful tool for federal agencies to monitor recipient compliance, for recipients to monitor subrecipient compliance, and for cognizant agencies to negotiate and approve indirect cost rates and cost allocation plans.

To achieve these objectives, we continue to look for opportunities to improve the annual OMB Circular A-133 Compliance Supplement, the quality of audits, the data collection form for reporting on single audits, the FAC website, and other aspects of the FAC's operations.

The IGs, under the leadership of the Department of Education, have undertaken a national single audit-sampling project to review and evaluate the quality of single audits. This project will provide a statistically reliable estimate of the extent to which single audits conform to applicable requirements, standards, and procedures. The findings and

results of this project will be used as a basis for recommendations to improve the single audit process.

In response to comments from the non-federal research and development (R&D) community, the RBM Subcommittee established a Subrecipient Monitoring Task Force to assess the effectiveness and efficiency of current general subrecipient monitoring guidance in relation to the R&D cluster (as contained in the *OMB Circular A-133 Compliance Supplement*) and make recommendations for improving the guidance.

Summary of This Year's Progress

♦ The national audit sampling project selected the single audits to be reviewed and trained the reviewers. Audit reviews are underway.

♦ To facilitate the use of Image Management System—a secure, web-based query system for authorized federal personnel allowing download in usable form of images of OMB Circular A-133 audit reporting packages (which may be up to 500 pages), the FAC developed user instructions and frequently asked questions.

♦ The OMB Circular A-133 Single Audit Compliance Supplement Core Team produced the 2005 version of the *OMB Circular A-133 Compliance Supplement*. For 2006, the CFO Council's Improper Payments Committee and the federal agencies are considering options for enhancing the single audit process to assist agencies in complying with the reporting requirements of the Improper Payments Information Act of 2002.

♦ A work group is being formed under the auspices of the CFO Council's Grants Policy Committee and the IGs to study the reporting requirements used by different agencies and programs based on single audits. The work group will solicit input from the affected grant community on the nature and type of reporting requirements in order to streamline and simplify the process.

Future Plans

♦ The IG offices will continue national audit-sampling project and develop recommendations to improve the process.

♦ The FAC will conduct training on use of the IMS and make improvements to the IMS based on agency input.

♦ The joint Grants Policy Committee/IG Work Group will complete its study of the reporting requirements used by different agencies and programs based on the single audits, and will develop recommendations, as appropriate.

♦ The RBM Subcommittee's Subrecipient Monitoring Task Force, in coordination with OMB and the Audit Oversight Work Group, will make recommendations to add specific guidance on subrecipient monitoring for the R&D cluster in the *OMB Circular A-133 Compliance Supplement*. The recommendations may address risk

management criteria that focus on high-risk subrecipients or those with little or no prior experience with federal programs, along with streamlining reviews of those institutions that also receive funds directly from the federal government.

IV.   THE ROAD AHEAD

We are in the home stretch in our journey to make transactions with federal agencies easier, cheaper, quicker, and more understandable for the many thousands of grant applicants and recipients. P.L. 106-107 will sunset in 2007. We have made significant progress in making it easier for the public to find our administrative requirements and to identify funding opportunities and apply for them. Although our major initiatives for terms and conditions and reporting have not yet reached the implementation stage, the extensive work needed to obtain federal agency agreement and our non-federal constituents' support has been accomplished.

We have seen increased interest and participation in our efforts from within the federal government and from our non-federal partners. The challenge ahead is to complete our remaining initiatives, ensure that changes are fully and knowledgeably implemented throughout the vast federal grants management enterprise, and continue to obtain feedback and make further changes as needed. We believe we will be successful in reaching our ultimate destination.